

## **Committee on Trade in Civil Aircraft**

### **Status**

The Agreement on Trade in Civil Aircraft (Aircraft Agreement), was concluded in 1979 as part of the Tokyo Round of multilateral trade negotiations and last amended in 1986. While the Aircraft Agreement was not renegotiated during the Uruguay Round, it remains fully in force and is included in Annex 4 to the WTO Agreement as a Plurilateral Trade Agreement.

The Aircraft Agreement requires signatories to eliminate duties on civil aircraft, their engines, subassemblies and parts, ground flight simulators and their components, and to provide these benefits on an NTR basis to all WTO Members. On non-tariff issues, the Aircraft Agreement establishes international obligations concerning government intervention in aircraft and aircraft component development, manufacture and marketing, including:

*Government-directed procurement actions and mandatory subcontracts:* The Agreement provides that purchasers of civil aircraft (including parts, subassemblies, and engines) will be free to select suppliers on the basis of commercial considerations and governments will not require purchases from a particular source.

*Sales-related inducements:* The Agreement states that governments are to avoid attaching political or economic inducements (positive or negative linkages to government actions) as an incentive to the sale of civil aircraft.

*Certification requirements:* The Agreement provides that civil aircraft certification requirements and specifications on operating and maintenance procedures will be governed, as between Signatories, by the provisions of the Agreement on Technical Barriers to Trade.

Under Article II.3 of the Marrakesh Agreement, the Aircraft Agreement is part of the WTO Agreement, but only for those Members who have accepted it and not for all WTO Members. As of December 1, 1999, there were 24 Signatories to the Agreement: Bulgaria, Canada, the European Communities, Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, the United Kingdom, Egypt, Japan, Macau, Norway, Romania, Switzerland and the United States. Albania, Croatia, Chinese Taipei and Latvia, Lithuania, Estonia, and Georgia have indicated that they will become parties upon accession to the WTO and Oman within three years of accession. Those WTO Members with observer status in the Committee are Argentina, Australia, Bangladesh, Brazil, Cameroon, Mauritius, Nigeria, Poland, Singapore, the Slovak Republic, Sri Lanka, Trinidad and Tobago, Tunisia and Turkey. In addition, China, the Russian Federation and Chinese Taipei have observer status in the Committee. The IMF and UNCTAD are also observers.

### **Assessment of the First Five Years of Operation**

While the 1979 GATT Agreement on Trade in Civil Aircraft was not strengthened through renegotiation during the Uruguay Round, civil aircraft were brought under the stronger disciplines of the WTO Agreement on Subsidies and Countervailing Measures. This was the major objective of the U.S. aerospace industry, whose competitors have in the past benefitted from huge government subsidies.

Since the conclusion of the Uruguay Round, there have been some additional negotiating efforts in Geneva to substantively revise the Aircraft Agreement. The United States proposed revisions along the lines of the 1992 U.S.-EU bilateral Large Aircraft Agreement, which sets limits on government support and clarifies provisions of the GATT Aircraft Agreement that apply to government intervention in aircraft marketing.

There has been little progress in those negotiations.

The Aircraft Agreement has been incorporated without revision into the WTO. Therefore there have been efforts by the Signatories to update or rectify the Agreement to correctly reference WTO instruments. The United States supports those efforts, so long as the current balance of rights and obligations are preserved, and the relationship between the Aircraft Agreement and other WTO agreements is maintained.

The Aircraft Agreement is plurilateral trade agreement under the auspices of the WTO. Thus, not all WTO Members are signatories of the Aircraft Agreement.

### **Major Issues in 1999**

The Aircraft Committee, permanently established under the Aircraft Agreement, affords the Signatories an opportunity to consult on the operation of the Agreement, to propose amendments to the Agreement and to resolve any disputes. During 1999, the Committee met twice. At those meetings the Committee discussed an array of aircraft-related trade matters including technically updating the Annex of aircraft items to be accorded duty-free treatment, conforming the language in the Agreement to the WTO, end-use customs administration and a proposal to define “civil” aircraft by initial certification rather than by registration. The United States also raised certain activities by other Signatories that might result in trade barriers or market distortions, such as the failure to promptly certify large civil aircraft at full seating capacity, government exchange rate guarantees for some aircraft component manufacturers and regulations restricting the operation of aircraft, otherwise compliant with International Civil Aviation Organization Stage III noise standards, based solely on a design standard that targets U.S.-origin engines and environmental equipment.

### **Work for 2000**

The United States will continue to seek to conform the Aircraft Agreement with the new WTO framework while maintaining the existing balance of rights and obligations. The United States will also continue to make it a high priority for countries with aircraft industries that are seeking membership in the WTO to become a Signatory to the existing Aircraft Agreement. In addition, other countries that might procure civil aircraft products, but are not currently significant aircraft product manufacturers, are being encouraged to become members of the Agreement in order to foster non-discriminatory and efficient selection processes for aircraft products solely based upon product quality, price, and delivery.